

CONFORMED COPY

LOAN NUMBER 4020 MD

Moldovagas Project Agreement

(Energy Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

MOLDOVAGAS

Dated July 23, 1996

LOAN NUMBER 4020 MD

PROJECT AGREEMENT

AGREEMENT, dated July 23, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and MOLDOVAGAS (Moldovagas).

WHEREAS (A) by the Loan Agreement of even date herewith between Republic of Moldova (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to ten million dollars (\$10,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Moldovagas agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and Moldovagas, a portion of the proceeds of the loan provided for under the Loan Agreement will be relented to Moldovagas on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS Moldovagas, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth and the term "its Part of the Project" means Parts B, C, D (ii) and E (ii) of the Project.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) Moldovagas declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out its Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, Moldovagas shall carry out in a timely manner the actions set forth in the Financial Action Plan.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for its Part of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 2.03. (a) Moldovagas shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and its Part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Moldovagas shall provide information to the Borrower to enable the Borrower to comply with Section 3.05 of the Loan Agreement.

Section 2.04. Moldovagas shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 15, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 1997, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 2.05. Moldovagas shall duly perform all its obligations under the Moldovagas Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, Moldovagas shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Moldovagas Subsidiary Loan Agreement or any provision thereof.

Section 2.06. (a) Moldovagas shall, at the request of the Bank, exchange views with the Bank with regard to the progress of its Part of the Project, the performance of its obligations under this Agreement and under the Moldovagas Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) Moldovagas shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of its Part of the Project, the accomplishment of the purposes of the Loan, or the performance by Moldovagas of its obligations under this Agreement and under the Moldovagas Subsidiary Loan Agreement.

Section 2.07. For the purposes of carrying out Part B of the Project, Moldovagas shall select gas distribution points to be rehabilitated under the Project in accordance with selection criteria agreed with the Bank, which shall include, inter alia, the level of gas throughout, customer's payment history and public safety concerns.

### ARTICLE III

#### Management and Operations of Moldovagas

Section 3.01. Moldovagas shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, public utility, engineering and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Moldovagas shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, public utility and environmental practices.

Section 3.03. Moldovagas shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) Moldovagas shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) Moldovagas shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. Moldovagas shall:

(a) until December 31, 1996, maintain cash collections for gas of not less than 30% of total collections and, thereafter, maintain such level as may be agreed with the Bank under the Financial Action Plan; and

(b) by October 15, 1996, submit to the Bank a debt repayment plan including, without limitation, a schedule for: (i) collection of overdue accounts; and (ii) repayment of short and long term debt and accounts payable satisfactory to the Bank and implement the said plan, taking into account the Bank's comments thereon.

Section 4.03. Moldovagas shall take all action required on its part to ensure that its gas tariffs are set and maintained at levels established by the Borrower in accordance with Section 4.02 (b) of the Loan Agreement.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of Moldovagas thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Moldovagas thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

For Moldovagas:

Moldovagas  
38 Albisoara Street  
Chisinau  
Republic of Moldova

Section 6.02. Any action required or permitted to be taken, and

any document required or permitted to be executed, under this Agreement on behalf of Moldovagas, or by Moldovagas on behalf of the Borrower under the Loan Agreement, may be taken or executed by the General Director of Moldovagas or such other person or persons as the General Director of Moldovagas shall designate in writing, and Moldovagas shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil G. Kavalsky  
Acting Regional Vice President  
Europe and Central Asia

MOLDOVAGAS

By /s/ Nicolae Tau  
Authorized Representative

